

## REG-35-203 LAWFUL PURPOSE

203.01 A licensed or previously licensed organization shall spend its bingo profits solely for lawful purposes.

203.01A For purposes of this regulation, bingo profits means the gross receipts collected from one or more bingo games, less reasonable sums necessarily and actually expended for prizes, taxes, license and permit fees, bingo equipment, the cost of renting or leasing a premises for the conduct of bingo, and other allowable expenses.

203.02 Bingo profits may be used internally by a licensed or previously licensed organization or donated outside of the organization, subject to the following:

203.02A Internal use of bingo profits. Lawful purpose uses of bingo profits internally by a licensed or previously licensed organization include:

203.02A(1) Charitable, benevolent, humane, religious, philanthropic, youth sports, educational, civic or fraternal activities conducted by the licensed or previously licensed organization for the benefit of its members, such as:

203.02A(1)(a) Religious activities including but not limited to creating, operating, or maintaining a church, church school, and their programs and facilities;

203.02A(1)(b) Educational activities including but not limited to paying the operating expenses of a school or establishing or continuing scholarship funds;

203.02A(1)(c) Charitable or humane activities including but not limited to purchasing food for the needy or to help provide medical care for individuals in need;

203.02A(1)(d) Youth sports activities including but not limited to the support or maintenance of team or individual activities which consist of an element of enjoyment or recreation, involving the practice of individual skill, and in which all of the participants are under 19 years of age. Such donations may include the construction, acquisition, improvement, or maintenance of facilities used in conjunction with youth sports activities; and

203.02A(1)(e) Civic or fraternal activities including but not limited to those activities which confer a benefit on the membership as a whole, such as paying the reasonable and necessary expenses for officers to travel to regional or national conventions at which organization business is discussed; funding ceremonies commemorating religious or patriotic holidays; paying for the construction, acquisition, improvement, or maintenance of the licensed or previously licensed organization's facilities; or paying the general operating expenses of the licensed or previously licensed organization such as non-bingo related payroll expenses, taxes, insurance, or utilities.

203.02A(2) A licensed or previously licensed organization shall not use bingo profits for purely social or recreational purposes such as stocking a bar with alcoholic beverages,

defraying the cost of a dinner or dance, or paying the expenses for a New Year's Eve party.

203.02B Outside donations of bingo profits. Donating bingo profits outside of the licensed or previously licensed organization is considered a lawful purpose usage of the bingo profits provided the donation is made to an eligible recipient. Only the following entities are eligible to receive an outside donation:

203.02B(1) The State of Nebraska or any political subdivision thereof, exclusively for public purposes such as the funding of parks or the creation or maintenance of public facilities or projects;

203.02B(2) A corporation, trust, community chest, fund, or foundation:

203.02B(2)(a) Created or organized under the laws of Nebraska, which has been in existence for five consecutive years immediately preceding the date of the donation, and which has its principal office located in Nebraska. A licensed or previously licensed organization shall not donate its bingo profits to foreign corporations, trusts, community chests, funds, or foundations, but may donate to a local chapter of such organizations provided that such local chapter has been created or organized under the laws of Nebraska, has been in existence for five years, and has its principal office located in this state;

203.02B(2)(b) Organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, for the prevention of cruelty to children or animals, or to foster national or international amateur sports competition;

203.02B(2)(c) No part of the net earnings of which inures to the benefit of any private shareholder or individual;

203.02B(2)(d) Which is not disqualified for tax exemption under section 501(c) (3) of the Internal Revenue Code by reason of attempting to influence legislation; and

203.02B(2)(e) Which does not participate in any political campaign on behalf of any candidate for political office.

203.02B(3) A post or organization of war veterans or an auxiliary unit or society of, trust for, or foundation for any such post or organization:

203.02B(3)(a) Organized in the United States or in any territory or possession thereof; and

203.02B(3)(b) No part of the net earnings of which inures to the benefit of any private shareholder or individual; or

203.02B(4) A volunteer fire department or volunteer first-aid, rescue, or emergency squad or volunteer fire company serving any city, village, county, township, or rural or

suburban fire protection district.

203.03 No part of the bingo profits shall:

203.03A Inure to the benefit of any individual member or shareholder of the licensed or previously licensed organization making the donation except to the extent it is in furtherance of the purposes described in this regulation. A licensed or previously licensed organization may make a direct donation to an individual member of its organization if that organization's activities include (a) making charitable donations to fire, catastrophic illness, or disaster victims, and the individual member is a victim thereof, or (b) making charitable donations to other charitable, benevolent, humane, religious, philanthropic, youth sports, educational, civic, or fraternal activity and the individual member is a beneficiary thereof or a participant in the activity; or

203.03B Be used for any activity which attempts to influence any legislation, regulation, or ordinance, or participating in or contributing to any political campaign on behalf of any elected official or individual who is or has been a candidate for public office.

203.04 In the case of scholarship funds, the licensed or previously licensed organization may either donate to its own internal scholarship fund or to an outside scholarship fund or educational institution meeting the guidelines for recipients of outside donations under these regulations.

203.04A A donation to a scholarship fund that does benefit an individual member of the licensed or previously licensed organization or a dependent or immediate family member of such individual member may qualify as a lawful purpose and may be made either through the organization's own scholarship fund or through a donation directly to the educational institution or scholarship fund meeting the requirements of this regulation.

203.05 Upon dissolution of a licensed organization or upon suspension, cancellation, revocation, or expiration of an organization's license, all remaining profits derived from the conduct of bingo shall be utilized for a lawful purpose and shall not be distributed to any private individual or shareholder. The disbursement of such remaining profits shall be subject to the reporting and disbursement requirements contained in Regulation 35-217.01A(1).

203.06 A licensed or previously licensed organization may commingle its revenue from the conduct of bingo with its other operating accounts only after initially depositing the bingo receipts into its bingo checking account. Bingo revenues transferred to other accounts of the licensed or previously licensed organization must be done by writing a check from the bingo checking account or by electronic funds transfer from the bingo checking account. Bingo revenues transferred to other accounts must still be used for lawful purposes.

203.06A It shall be the duty of the licensed utilization of funds member to keep and maintain records sufficient to prove that bingo revenues transferred from the bingo checking account have been used for lawful purposes.

203.07 All lawful purpose donations must be made by a check written from the licensed or previously licensed organization's bingo checking account, directly to the donee for the ultimate use of the donation. For example, a lawful purpose donation to an eligible recipient must go directly to the recipient for use in a manner complying with section 9-211 of the Nebraska Bingo Act and this

regulation.

203.07A All checks must be signed by a licensed utilization of funds member of the licensed organization. If an electronic funds transfer is utilized in lieu of a check, such transfer must be authorized by a licensed utilization of funds member of the licensed organization.

203.08 No licensed or previously licensed organization, or any representative thereof, shall donate or promise to donate any portion of its bingo profits to a recipient outside of the organization in exchange for a payment, gift, or other thing of value from the recipient to any individual, organization, or corporation, including, but not limited to, the licensed or previously licensed organization or any of its members, employees, or agents. Unlawful outside donations include, but are not limited to:

203.08A A licensed or previously licensed organization donating all or a portion of its bingo profits to a second organization in return for a donation or a transfer of all or a portion of the donation from the second organization to the original organization or any representative thereof.

(Sections 9-202, 9-211, 9-217, 9-226, 9-255.03, 9-255.04, and 9-255.05, R.R.S. 1997. 03/10/2002.)